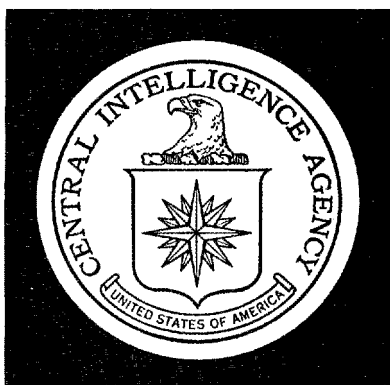


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DIRECTORATE OF  
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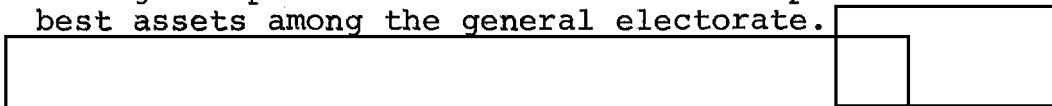
South Korea: President Pak has made a bold political move to undercut criticism of the third term amendment movement.

Pak announced last night that the government party will definitely move to amend the constitution to permit him to run for a third term in 1971. In his speech he emphasized that he will interpret an affirmative national referendum as a vote of confidence in him and his policies; conversely, he threatened that he will "step down immediately" if the amendment is rejected. This statement undoubtedly is a shock tactic designed to make the South Koreans think about the consequences of a government without Pak.

By publicly linking the prestige of his administration to the amendment movement, Pak has indicated that he and his supporters are confident that they can obtain enough support in the National Assembly to pass the amendment. Pak, however, continues to try to appear to be above the squabbles and politicking of the assembly and apparently is confident that the economic growth and political stability during his period of national leadership are his best assets among the general electorate.

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El Salvador - Honduras: El Salvador's armed presence on Honduran soil continues while the Organization of American States (OAS) moves to deal with the conflict on the diplomatic level. Salvadoran strategy is now to obtain enough abstentions in the OAS to avoid being condemned as an aggressor when the foreign ministers meet in Washington on 26 July.

Most Latin American countries are reluctant to censure El Salvador or enforce OAS resolutions with an Inter-American Peace Force (IAPF). Many governments are willing to impose sanctions if there is a consensus, but few are willing to propose sanctions in formal sessions. A two-thirds vote is required to invoke such measures under the Rio Treaty.

Argentina and Brazil have made it clear that they are willing to collaborate in an IAPF if necessary. Mexico, which has traditionally opposed such a force, recognizes that the prestige of the OAS is at stake. If other means fail, it would go along, but would not send troops.

\* \* \* \*

There is increasing concern that the conflict between El Salvador and Honduras will severely set back the cause of economic integration.

Extremely pessimistic forecasts have come from the deputy secretary general of the Common Market Secretariat and from Guatemalan officials. The secretary general of Guatemala's National Planning Council, one of Central America's shrewdest economists and most dispassionate observers, has expressed doubts that the Common Market will ever recover. He feels that too many lives have been lost and too many atrocities alleged for a meaningful dialog between the two belligerents for at least five years. He suggests that two common markets--one embracing Honduras,

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the other El Salvador--might emerge. Although this may overstate the case, the forward momentum of regional integration has ceased.

Commercial relations between El Salvador and Honduras are suspended. Both countries, however, have agreed not to interfere with shipments between the other three Common Market countries. Nevertheless, delays and harassment continue to impede trade between Costa Rica, Nicaragua, and Guatemala.


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Bolivia: Retired General Armando Escobar's decision to run for president next year has increased the likelihood of a military coup.

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Escobar's announcement was not unexpected. He has been extremely popular as mayor of La Paz since 1964, and his candidacy has been boosted by President Siles. In a series of barn-storming appearances throughout Bolivia, he has been generating increasing appeal in rural areas. He is believed to be the only political personality who could defeat Ovando in a legal election.

Ovando's presidential ambitions are supported by the military high command and strategically based units in La Paz. Despite Escobar's popularity with civilian groups in the capital, he is not known to have any major support from the country's professional military clique, which looks down on him as an outsider who came up through the ranks without attending the military academy.

Although a military coup at this time would probably ensure Ovando's succession to the presidency, it would almost certainly usher in a period of civil unrest.

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Panama: The arrest of two brothers of a high-ranking national guard officer on corruption charges has generated some tension within the high command.

The two brothers of Lt. Col. Juan Bernal, chief of staff for G-4, had held influential government posts since the military take-over last October. Their arrests on 22 July followed discovery of an extortion ring that obtained funds by promising prominent businessmen that they would be granted special privileges from high-level guard officers.

[REDACTED]  
[REDACTED]  
[REDACTED]  
Bernal might seek an appointment abroad to mitigate repercussions of the scandal. [REDACTED]  
[REDACTED]

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**Communist China's Military High Command: The General Staff Department**

Chief:	Date first identified:	Other active military positions:
Huang Yung-sheng	March 1968	Probable Canton MR Commander (concurrent)

**Deputy chiefs: (in order of prominence)**

Wu Fa-hsien	May 1968	Commander, Air Force
Li Tso-peng	July 1969	Political Commissar, Navy
Chiu Hui-tso	February 1969	Director, General Rear Services Department
Wen Yu-cheng	December 1967	Commander, Peking Garrison
Li Tien-yu	1963	
Wang Hsin-ting	1963	
Peng Shao-hui	1955	
Han Hsien-chu	1965	Commander, Foochow MR

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Communist China: Recent personnel assignments in the military high command appear to have enhanced the position of chief of the general staff Huang Yung-sheng.

Over the past year the top officers of the Air Force, Navy, and General Rear Services (Logistics) Department have been officially designated as deputies to Huang in his role as head of the General Staff Department. Although the General Staff Department presumably has always exercised a degree of operational control over the air and naval arms, this is the first time that the service chiefs have been given formal positions under the chief of staff. In part this move probably reflects the increasing growth and modernization of the air and naval components of China's predominantly ground force - oriented military establishment.

Subordination of the director of the General Rear Services Department to the chief of staff, however, is another matter. Previously these two departments, along with the General Political Department, were treated more or less as equals under the over-all supervision of Defense Minister Lin Piao. The General Political Department, however, was quietly abolished during the Cultural Revolution and its responsibilities were absorbed by the Military Affairs Committee. Thus, as chief of staff, Huang now apparently stands second only to Lin Piao as a military figure.

It also seems likely that Huang's enhanced stature derives not only from the gradual upgrading of the chief of staff post but also from his own political credentials. Since assuming office in March 1968, Huang apparently has succeeded in winning general acceptance from most elements in the central leadership.

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Nevertheless, the recent high rate of turnover in chiefs of staff suggests that the position is extremely sensitive. The demands and pressures on Huang are likely to increase sharply as Peking begins to grapple with the thorny issue of withdrawing the army from the wide range of political duties it has been obliged to assume during the course of the Cultural Revolution.  (Chart)

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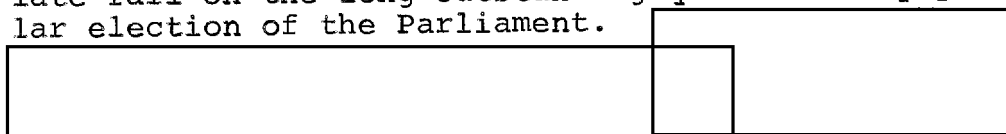
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European Communities: The meeting of the Council of Foreign Ministers this week appears to have set the stage for some hard bargaining later this year on the Communities' future.

At the meeting--the first since Pompidou's election and the last before the summer recess--the other five members of the Communities agreed in principle to the French proposal that a summit conference be held before the end of the year. The foreign ministers will meet in September to decide the agenda. Meanwhile, the permanent representatives to the Communities have been instructed to discuss the consolidation and enlargement of the Communities, and the Commission has been invited to update its September 1967 opinion on British entry.

The proposal for a summit leaves the objectives of the French in doubt, although they are now apparently willing to discuss concurrently the enlargement and the strengthening of the Communities. The French remain primarily interested in obtaining favorable resolution of such issues as agricultural financing, and some of France's Community partners are wary of what the French mean by "strengthening." The Belgians, for instance, fear that holding periodic summit meetings, as the French have suggested, could be a threat to the existing Community institutions.

Some of the issues to be faced this fall will test how far the French will go in supporting progress toward integration. Commission President Rey indicated that the Commission may try to obtain some real commitment by the member states to complete the common commercial policy. The president of the European Parliament has also requested a decision by late fall on the long-outstanding question of popular election of the Parliament.



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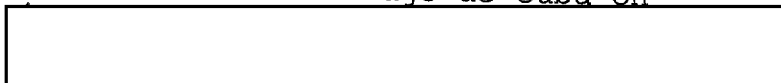
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Cuba: The 26th of July--a major holiday in the Cuban revolutionary calendar--will be marked only by minor celebrations this year. As happened on other festive occasions earlier in the year, Havana has decided to turn the day into a "great work event" so that there would be no slackening of the pace of the current sugar harvest. The fact that Cuban propaganda organs have been directed to give broad publicity to a speech Castro made in 1953 suggests that the Cuban premier may dispense with his traditional address in Havana's Revolutionary Square. The holiday commemorates the abortive attack that Castro led against the Moncada military barracks in Santiago de Cuba on 26 July 1953.



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NATIONAL INTELLIGENCE ESTIMATE

The United States Intelligence Board, on 23 July, approved the following national intelligence estimate:

NIE 60/70-1-69 "Black Africa's Prospects  
for Modernization"

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